CALIFORNIA RESTAURANT OPERATIONS

Laventhol & Horwath
Certified Public Accountants

California Restaurant Operations

Eighth Annual Report on Restaurant Operations in California

1983 Edition

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Introduction

This eighth edition of *California Restaurant Operations* presents financial statistics based on a survey of 157 restaurants in operation for 12 months ended in 1982. For a more complete understanding of the composition of the sample, highlights and a profile of the sample are presented on page 6.

The reader is cautioned that the average operating results and percentages are not to be considered standards for the industry, nor are they necessarily attainable or desirable goals. Furthermore, the sample of contributing restaurants changes somewhat each year, creating some changes in financial results from year to year. However, the results can be considered guidelines for comparison with the results of your own operation, and we have provided a worksheet for that purpose on page 23.

An explanation of terms also is included (page 19) to help familiarize users of this report with the standard definitions used in compiling it. For additional information concerning the terminology and structure of the restaurant accounting, refer to *Uniform System of Accounts for Restaurants*, 1983 revised edition, published by the National Restaurant Association, Educational Materials, 311 First Street, N.W., Washington, D.C. 20001, telephone (202) 638-6100.

Comments From Around the State

From Los Angeles

Customer counts declined an estimated 6 percent from 1981 to 1982 after an estimated 5 percent decline between 1980 and 1981. However, check averages increased approximately 9 percent, resulting in average sales increases of about 3 percent. Even with a decline in numbers of customers, many restaurant operators were able to reduce food and beverage costs with a resulting increase in profits over 1981 performance.

The slowing of expansion activity that started in 1981 carried forward into 1982. Emphasis was focused instead on refining concepts and product offerings to increase penetration of target markets. Controlling costs and reducing or eliminating nonessential functions continued to receive a high priority.

The growing popularity of "gourmet emporiums," as reported in the L&H/NRA *Restaurant Operations '82* report, continued through 1982. The offerings of these deluxe delicatessens initially included wines and a variety of salads, pâtés and baked goods prepared for consumption on and off the premises. They now include difficult-to-prepare ethnic foods that are partially prepared on the premises for final preparation and cooking in the home. Located primarily in upper- and middle-income market areas, these gourmet emporiums are expected to increase their penetration of the traditional restaurant market.

With its continuing growth in population, Los Angeles should continue to be a strong restaurant market. Its diversity of ethnic groups, cultural preferences and income levels should enable it also to continue as a test area for unique, creative restaurant concepts.

From San Diego

The end of 1982 appears to have marked the bottom of a lengthy economic slump. Local restaurateurs were challenged to counteract the trend of declining customer counts and sales volume. Many responded by presenting new products with higher perceived value while others moved to upgrade the quality and variety of menu offerings.

With the prospect of an economic rebound, both established and emerging restaurant chains completed plans for additional locations. Major commercial development in the downtown area is expected to bring in several new, higher quality restaurants. Both independent and hotel-based restaurants are expected to add to the renaissance of San Diego's downtown. Other large developments, both commercial and residential, are under construction to the north and south of San Diego, providing additional areas for new restaurant development.

San Diego restaurants traditionally have provided both residents and visitors with a broad range of cuisine, but 1982 was the year of maturity for a few small but excellent gourmet establishments. Their emergence as local favorites during such a difficult year reflects well on their entrepreneurial management.

From San Francisco

A variety of new marketing techniques and fresh concepts in foodservice operations in San Francisco and

the surrounding Bay area have contributed to increased 1982 sales, and the outlook for customer spending in 1983 is also bright.

Restaurateurs implemented a variety of techniques as well as some "tried and tested" ideas to upgrade their menus to reflect new consumer preferences and maintain or improve profit margins. Restaurants combined with bookstores, bakeries, wine shops and delicatessens to create dual-purpose retail shops where customers can browse before and after eating. New menu items were added to a number of established restaurants, many along the lines of the "California Cuisine" concept of fresh natural ingredients in creative combinations.

Earnest marketing efforts seemed to have paid off, as 1982 sales were higher than those reported in 1981. Further, 1983 sales results (to date) indicate a continuing upward trend.

The California Restaurant Industry—1983

by Janet D. Carroll
Research and Development Division

Bases of analysis

A wide variety of restaurants were analyzed in this study of California restaurant operations. The sample was larger than that for the previous report, resulting in some differences between the 1982 and 1981 results.

Detail of controllable expenses is not provided in this report as in the past because various portions of the questionnaire were eliminated to encourage increased participation. The effort was a success. With a sample almost three times greater than last year's, the figures presented in this report are even more reliable than in the past, a trend we hope will continue in the future.

The exhibits in this report are presented primarily in terms of ratios to total sales and amounts per seat, the most common measurements used in the industry. To provide more meaning to operators, we have presented the cost of food and cost of beverage figures as ratios to their respective sales.

Most of the figures in this report are medians, with the exception of Chart 1, "The California Restaurant Industry Dollar," which is based on weighted averages. This is the second time that we have used medians in this study, and readers should be aware of the differences between medians and the means used in reports prior to the 1982 edition to avoid comparing items that should not be directly related. The median value presented is the middle value of all responses when the data is arranged in sequence from low to high or vice versa. Therefore half of all responses are greater and half are lower than the figure presented. The mean, on the other hand, is the average of all numbers in a data set. A very large operation will skew the result of a mean, whereas the median value will not be affected the same way since rankings are involved.

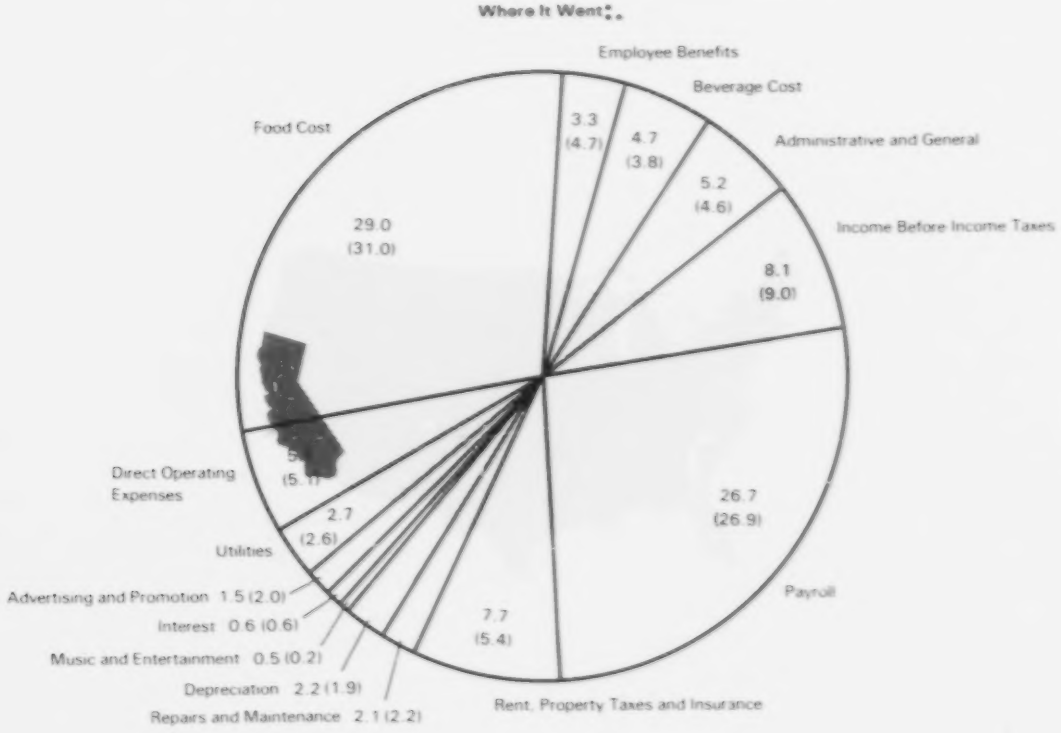
Each line item has been analyzed separately and the medians are based on the information submitted for that line only, since each of the restaurants in this sample did not report data for each line.

The California restaurant industry dollar

Chart 1 shows the composition of the restaurant industry dollar for all California restaurants in this survey. Just under 80 cents in revenue came from food sales, down 6.3 percent from 1981. Most of the slack was picked up by beverage sales, while 1.5 percent of sales resulted from miscellaneous forms of income.

Food revenue as a proportion of total revenue declined two percentage points, while rent, taxes and insurance constituted the largest cost increase over the previous year, at 2.3 percentage points. While interest expense remained constant at 0.6 percent of the restaurant dollar, overall expenses increased, forcing earnings before taxes to drop to 8.1 percent of the California restaurant dollar, down from 9.2 percent in 1981.

Chart 1: The California Restaurant Industry Dollar



*Based on the weighted mean.

**1981 amounts in parentheses.

Profile of participants

Exhibit 1 presents the composition of the sample used in this report, covering restaurant operations during 1982. Although sample size nearly tripled, the basic composition of the sample is the same, with the exception of the age of the restaurants participating in this year's report. A larger percentage of newer operations were used this year than last. In addition, more than eight of every 10 restaurants participating in this survey were profitable during 1982.

Highlights and characteristics of the entire sample, compiled using various measures of central tendency (sample median, mean or mode), are shown below to provide an overview of the results.

Highlights

- Median food sales per seat were $4,984, while beverage sales were $1,476 per seat in 1982.
- Median food and beverage costs per seat were $1,845 and $350 respectively.
- Income before taxes was $364 per seat or 6.7 percent of total sales.
- Half of all restaurants in this survey reported an average check between $3 and $10.88, while the median was $7.10.
- Seat turnover was 2.71 and productivity was 3.44 during 1982.

Characteristics

- Median sales volume of all respondents in this survey was $1.1 million, with half of all operations reporting sales ranging from $0.6 million to $1.5 million.
- The average size of each participating restaurant was 5,000 square feet, almost 60 percent of which was dining area.
- The median number of seats per restaurant operation in this year's survey was 175, ranging from 12 to 970.
- The typical operation earned a profit and offered full liquor service to its patrons.
- Participants in this year's survey were typically company owned and operated and part of a private corporation.

Exhibit 1
A Profile of Restaurants Sampled

	Number of Respondents	Percentage of Total
Age:		
Under 5 Years	46	29.3%
5 to 10 Years	42	26.8
Over 10 Years	69	43.9
Type:		
Full Menu—Tableservice	75	48.1%
Limited Menu—Tableservice	19	12.2
Limited Menu—No Tableservice	16	10.2
Other	46	29.5
Sales Volume:		
Under $1.5 Million	98	62.4%
$1.5 Million and Over	59	37.6
Beverages Served:		
Full Liquor Service	80	51.3%
Wine & Beer Only	25	16.0
No Alcoholic Beverages	51	32.7
Profit:		
Net Income	84	82.4%
Net Loss	18	17.6

Income statements

Presented as amounts per seat and ratios to total sales, Exhibit 2 is a summary for all restaurants included in this survey without regard to age, location, type, size or any other characteristic. Food sales accounted for 79.1 percent of total sales, while the related costs totaled 37.3 percent of sales. Beverage costs as a ratio to beverage sales were 25 percent. The total cost of sales was an average 35.3 percent of total food and beverage sales, slightly higher than last year's 34.7 percent.

The declines in various controllable expenses more than offset the increases in rent, music and entertainment, utilities, administrative and general expenses, and maintenance to show a drop in total expenditures. Controllable expenses added up to 46.8 percent of total sales or $2,866 per seat, both below comparable 1981 figures.

The decline in total sales per seat coupled with the increase in occupation costs, interest and depreciation are reflected in the large decline in restaurant profit in 1982 to $437 from $825 in 1981.

Exhibit 2
Ratio to Total Sales and Amount Per Seat—
All Restaurants*

	Ratio to Total Sales	Amount Per Seat
Sales		
Food	79.1%	$4,984
Beverage	29.1	1,476
Total Sales	100.0%	$6,248
Cost of Sales		
Food**	37.3%	$1,845
Beverage**	25.0	350
Total Cost of Sales	35.3%	$2,237
Total Gross Profit	64.8%	$4,141
Other Income	0.5%	$ 34
Total Income	65.4%	$4,191
Controllable Expenses		
Payroll	26.9%	$1,704
Employee Benefits	3.2	175
Direct Operating Expenses	3.9	265
Music & Entertainment	0.4	23
Advertising & Promotion	1.1	58
Utilities	2.9	184
Administrative & General	4.0	248
Repairs & Maintenance	2.0	134
Total Controllable Expenses	46.8%	$2,866
Income Before Occupation Costs	17.9%	$1,118
Occupation Costs		
Rent	5.5%	$ 346
Property Taxes	0.4	29
Other Taxes	0.8	73
Property Insurance	0.5	27
Income Before Interest & Depreciation	10.3%	$ 629
Interest	1.0%	$ 61
Depreciation	2.1%	$ 150
Restaurant Profit	7.1%	$ 437

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Average check

The median check for all restaurants in this survey, as well as for those in different breakdowns, is shown in Exhibit 3. Operations with full menus and tableservice and those having full liquor service reported the highest check averages in the sample. Of all survey participants, the check averages ranged from a low of $1.44 in a cafeteria to a high of $41.40 in a full menu-tableservice restaurant with full liquor service.

Sales per square foot

Median sales per square foot during 1982 were $218, somewhat lower than the 1981 figure of $251. Exhibit 4 highlights detail of sales per square foot. Of those presented, those with annual sales over $1.5 million and those with limited menu and tableservice reported the highest sales per square foot, at $287 and $264 respectively.

Exhibit 3
Average Check*

All Restaurants Reporting	$ 7.10
Age:	
Under 5 Years	$ 6.80
5 to 10 Years	7.22
Over 10 Years	7.10
Type:	
Full Menu — Tableservice	$10.84
Limited Menu — Tableservice	5.34
Limited Menu — No Tableservice	3.12
Other	3.00
Sales Volume:	
Under $1.5 Million	$ 4.89
$1.5 Million and Over	9.11
Beverages Served:	
Full Liquor Service	$ 9.87
Wine & Beer Only	5.26
No Alcoholic Beverages	3.00

*All figures are medians

Exhibit 4
Sales Per Square Foot*

All Restaurants Reporting	$218
Age:	
Under 5 Years	$200
5 to 10 Years	233
Over 10 Years	241
Type:	
Full Menu — Tableservice	$200
Limited Menu — Tableservice	264
Limited Menu — No Tableservice	220
Other	231
Sales Volume:	
Under $1.5 Million	$181
$1.5 Million and Over	287
Beverages Served:	
Full Liquor Service	$201
Wine & Beer	174
No Alcoholic Beverages	238

*All figures are medians

Cost of sales

Exhibit 5 presents the prime cost for the sample in total and by components. This cost is a combination of food, beverage and payroll expenditures, all as a ratio to total sales. The food and beverage costs are shown as a ratio to their respective sales in order to provide more meaningful information. For all those restaurant operations that provided the necessary information, the prime cost was 64.8 cents out of every dollar of sales, including more than 35 cents of food and beverage costs and more than 29 cents of payroll expenditures.

The limited menu-tableservice operations reported the highest total cost of sales figures, leading to the highest prime cost expenditures of the four categories presented, at 71.3 cents of the sales dollar. The lowest prime cost presented in this exhibit was for properties in the under five year age category, with a prime cost of 62.4 cents. The highest food cost relative to sales was reported by the limited menu-tableservice operations, and the highest beverage cost was reported by those operations that serve wine and beer only.

Exhibit 5
Cost Per Dollar of Sales*

	Food**	Beverages**	Total Cost of Goods Sold	Total Payroll	Prime Cost
All Restaurants Reporting	37.3¢	25.0¢	35.3¢	29.1¢	64.8¢
Age:					
Under 5 Years	33.7¢	21.3¢	33.4¢	28.4¢	62.4¢
5 to 10 Years	38.1	23.3	37.2	27.7	64.3
Over 10 Years	37.4	26.1	34.9	30.2	66.4
Type:					
Full Menu — Tableservice	35.6¢	24.9¢	33.4¢	30.0¢	63.2¢
Limited Menu — Tableservice	40.0	23.2	38.0	26.7	71.3
Limited Menu — No Tableservice	30.4	23.0	32.2	26.9	58.7
Other	37.5	26.4	37.5	27.7	65.4
Sales Volume:					
Under $1.5 Million	37.7¢	25.1¢	37.2¢	28.3¢	65.5¢
$1.5 Million and Over	35.8	24.9	33.9	29.3	63.7
Beverages Served:					
Full Liquor Service	36.0¢	24.6¢	33.6¢	30.5¢	64.8¢
Wine & Beer Only	33.4	38.0	36.5	24.2	63.1
No Alcoholic Beverages	37.6	***	37.5	27.5	65.0

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.
***Insufficient response.

Employee data

The median number of total employees in 1982 was 43, or 34.5 full-time equivalent (FTE) employees in each of the operations surveyed that provided sufficient detail. As Exhibit 6 shows, productivity results for the sample were mixed. Sales per FTE employee and seat turnover were down from 1981, while payroll per FTE employee and the productivity index showed more favorable results when compar-

Exhibit 6
Employee Data*

	Total	Type			
		Full Menu Tableservice	Limited Menu Tableservice	Limited Menu No Tableservice	All Others
Number of Employees Per Restaurant					
Full-Time	18.0	37.0	8.5	4.0	16.0
Part-Time (20 to 35 Hours)	10.0	4.0	15.0	7.0	15.0
Part-Time (Less Than 20 Hours)	4.0	0.0	1.0	5.0	7.0
Total	43.0	48.5	26.5	15.0	44.0
Full-Time Equivalent Employees					
Total	34.5	46.4	22.4	10.5	33.8
Per 100 Restaurant Seats	20.2	20.2	13.5	20.7	22.8
Per 100 Average Daily Covers	11.7	13.4	8.2	4.2	4.7
Sales Per Full-Time Equivalent Employee	$31,482	$29,073	$37,798	$31,186	$32,840
Payroll Per Full-Time Equivalent Employee	$ 8,939	$ 8,663	$10,924	$ 8,093	$ 9,007
Seat Turnover	2.71	1.46	3.15	6.23	6.68
Index of Productivity	3.44	3.33	3.75	3.72	3.61

*Based on those providing detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient data.

ing the two years.

The operations with a limited menu and tableservice reported the highest sales per FTE employee of all the categories shown, at $37,798. They also reported the highest payroll costs per FTE employee, at $10,924. As expected, the limited menu-no tableservice operations reported high seat turnover and productivity in comparison with most other breakdowns.

Sales Volume	
Under $1.5 Million	$1.5 Million and Over
12.5	45.0
10.0	10.0
4.5	0.0
32.0	59.0
25.4	56.5
17.6	23.5
11.4	11.8
$29,623	$33,596
$ 8,654	$ 9,747
3.15	2.29
3.53	3.41

Special analysis

Exhibits 7 through 10 show a cross section of California restaurant operations by beverages served and profitability, and by type of restaurant and sales volume. The purpose of these cross tabulations is to focus on a narrower group of operations in the analysis for a more in-depth look into various types of restaurant operations. For each set of tables, income before occupation costs and restaurant profit are presented as amounts per seat and as ratios to total sales. Row and column totals are presented for comparison purposes.

To read these tables, find the parameters of interest, one row and one column. Locating the intersection, you will find the amount per seat and ratio to total sales of the item of interest. For example, if you are interested in the restaurant profit of California restaurant operations serving beer and wine only

Exhibit 7
Cross Tabulation of Income Before Occupation Costs—
Amount Per Seat and Ratio to Total Sales—
By Profit and Beverages Served*

Amount Per Seat / Ratio to Total Sales		Beverages Served			
		Full Liquor Service	Beer & Wine Only	No Alcoholic Beverages	All Operations
Profit	Net Income	$1,319 17.9%	$1,614 25.2%	$1,589 19.3%	$1,391 19.7%
	Net Loss	$ 620 9.3%	** **	$ 917 14.3%	$ 645 12.2%
	All Operations	$ 980 16.3%	$ 923 24.7%	$1,234 18.4%	$1,118 17.9%

*All figures are medians
**Insufficient response

Exhibit 8
Cross Tabulation of Restaurant Profit—
Amount Per Seat and Ratio to Total Sales—
By Profit and Beverages Served*

Amount Per Seat / Ratio to Total Sales		Beverages Served			
		Full Liquor Service	Beer & Wine Only	No Alcoholic Beverages	All Operations
Profit	Net Income	$ 596 9.2%	$1,083 16.0%	$ 530 7.3%	$ 594 8.5%
	Net Loss	$(130) (1.2)%	** **	$(139) (2.6)%	$(139) (2.2)%
	All Operations	$ 383 7.0%	$ 515 11.3%	$ 417 6.2%	$ 437 7.1%

*All figures are medians
**Insufficient response

and reporting a net profit during 1982, you will find the desired figures in Exhibit 8. The median value of interest is $1,083 per seat or 16 percent of total sales. Follow the same procedure for all four exhibits presented in this section.

Summary

The remaining exhibits (11-15) in this report provide summary income statements by amounts per seat and ratios to total sales by various characteristics: net income differential, age, sales volume, beverages served and type of restaurant. Combining these results with the cross tabulations in the preceding section and the other important measurements in this report will provide readers with guidelines for comparing their operations or for analyzing any particular segment of the industry.

Exhibit 9
Cross Tabulation of Income Before Occupation Costs—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Type of Restaurant*

Amount Per Seat / Ratio to Total Sales		Type of Restaurant			
		Full Menu-Tableservice	Limited Menu-Tableservice	Limited Menu-No Tableservice	All Operations
Sales Volume	Under $1.5 Million	$ 715	$923	$1,480	$ 919
		18.2%	21.9%	25.2%	18.0%
	$1.5 Million and Over	$1,605	**	**	$1,643
		16.8%	**	**	17.6%
	All Operations	$1,167	$923	$1,516	$1,118
		17.3%	21.9%	25.1%	17.9%

*All figures are medians
**Insufficient response

Exhibit 10
Cross Tabulation of Restaurant Profit—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Type of Restaurant*

Amount Per Seat / Ratio to Total Sales		Type of Restaurant			
		Full Menu-Tableservice	Limited Menu-Tableservice	Limited Menu-No Tableservice	All Operations
Sales Volume	Under $1.5 Million	$229	$514	$541	$288
		6.4%	11.9%	13.9%	7.0%
	$1.5 Million and Over	$721	**	**	$718
		9.1%	**	**	7.7%
	All Operations	$493	$514	$595	$437
		7.1%	11.9%	12.9%	7.1%

*All figures are medians
**Insufficient response

Exhibit 11
Ratio to Total Sales and Amount Per Seat—
By Net Income Differential*

	Ratio to Total Sales		Amount Per Seat	
	Net Income	Net Loss	Net Income	Net Loss
Sales				
Food	85.1%	94.7%	$6,618	$5,537
Beverage	26.2	28.2	1,773	2,059
Total Sales	100.0%	100.0%	$7,056	$6,831
Cost of Sales				
Food**	37.3%	38.1%	$2,361	$2,722
Beverage**	23.9	26.5	391	521
Total Cost of Sales	36.1%	37.7%	$2,635	$2,449
Total Gross Profit	63.9%	62.3%	$4,528	$4,281
Other Income	0.6%	0.7%	$ 39	$ 67
Total Income	64.6%	64.4%	$4,617	$4,300
Controllable Expenses				
Payroll	26.0%	28.0%	$1,744	$1,784
Employee Benefits	3.1	2.3	193	139
Direct Operating Expenses	3.3	4.2	266	243
Music & Entertainment	0.3	0.4	12	38
Advertising & Promotion	1.2	0.9	79	42
Utilities	2.8	3.0	211	162
Administrative & General	3.9	4.7	250	397
Repairs & Maintenance	2.0	2.3	149	162
Total Controllable Expenses	44.9	53.4	$3,039	$3,387
Income Before Occupation Costs	19.7%	12.2%	$1,391	$ 645
Occupation Costs				
Rent	5.4%	5.8%	$ 362	$ 421
Property Taxes	0.4	0.3	29	20
Other Taxes	0.8	4.2	73	143
Property Insurance	0.3	0.4	26	26
Income Before Interest & Depreciation	12.2%	2.0%	$ 779	$ 130
Interest	1.0%	1.9%	$ 62	$ 69
Depreciation	2.0%	4.3%	$ 151	$ 234
Restaurant Profit	8.5%	(2.2)%	$ 594	$ (139)

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 12
Ratio to Total Sales and Amount Per Seat—
By Age of Restaurant*

	Ratio to Total Sales			Amount Per Seat		
	Under 5 Years	5 to 10 Years	Over 10 Years	Under 5 Years	5 to 10 Years	Over 10 Years
Sales						
Food	82.4%	75.6%	79.0%	$3,879	$5,024	$5,444
Beverage	29.1	30.6	28.6	1,659	1,462	1,404
Total Sales	100.0%	100.0%	100.0%	$5,630	$7,045	$6,617
Cost of Sales						
Food**	33.7%	38.1%	37.4%	$1,498	$2,010	$2,113
Beverage**	21.3	23.3	26.1	336	314	413
Total Cost of Sales	33.4%	37.2%	34.9%	$1,683	$2,628	$2,403
Total Gross Profit	66.6%	62.8%	65.1%	$3,893	$4,314	$4,085
Other Income	0.3%	0.3%	0.6%	$32	$37	$36
Total Income	66.6%	63.0%	66.0%	$4,001	$4,314	$4,085
Controllable Expenses						
Payroll	27.6%	26.2%	26.7%	$1,592	$1,694	$1,793
Employee Benefits	2.1	3.1	3.7	131	125	219
Direct Operating Expenses	3.3	3.5	5.6	206	255	286
Music & Entertainment	0.3	0.5	0.6	11	30	49
Advertising & Promotion	1.0	0.9	1.5	49	41	84
Utilities	3.1	2.8	2.7	176	185	192
Administrative & General	3.7	4.3	4.0	192	250	274
Repairs & Maintenance	2.2	2.1	1.7	131	162	128
Total Controllable Expenses	46.9%	45.6%	47.5%	$2,322	$2,774	$3,301
Income Before Occupation Costs	18.4%	17.4%	16.6%	$1,109	$1,333	$ 981
Occupation Costs						
Rent	6.5%	5.0%	5.1%	$ 421	$ 311	$ 308
Property Taxes	0.4	0.5	0.4	21	32	26
Other Taxes	1.5	4.9	0.3	71	423	48
Property Insurance	0.4	0.3	0.6	21	26	42
Income Before Interest & Depreciation	10.2%	9.6%	10.6%	$ 634	$ 696	$ 534
Interest	1.8%	1.0%	0.6%	$ 87	$ 56	$ 57
Depreciation	3.9%	2.1%	1.7%	$ 265	$ 177	$ 105
Restaurant Profit	6.7%	6.9%	9.0%	$ 426	$ 448	$ 426

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 13
Ratio to Total Sales and Amount Per Seat—
By Sales Volume*

	Ratio to Total Sales		Amount Per Seat	
	Under $1.5 Million	$1.5 Million and Over	Under $1.5 Million	$1.5 Million and Over
Sales				
Food	82.9%	76.6%	$3,644	$6,437
Beverage	29.3	29.0	1,047	2,109
Total Sales	100.0%	100.0%	$5,107	$8,277
Cost of Sales				
Food**	37.7%	35.8%	$1,554	$2,264
Beverage**	25.1	24.9	294	501
Total Cost of Sales	37.2%	33.9%	$1,852	$2,880
Total Gross Profit	62.8%	66.1%	$3,275	$5,446
Other Income	0.3	0.7	11	56
Total Income	63.0%	66.9%	$3,405	$5,455
Controllable Expenses				
Payroll	27.3%	26.0%	$1,295	$2,072
Employee Benefits	2.3	3.6	91	281
Direct Operating Expenses	3.6	5.5	239	357
Music & Entertainment	0.5	0.3	24	18
Advertising & Promotion	1.5	0.9	48	75
Utilities	3.1	2.5	171	208
Administrative & General	5.4	3.5	224	316
Repairs & Maintenance	2.0	1.9	101	160
Total Controllable Expenses	46.7%	47.5%	$2,216	$4,024
Income Before Occupation Costs	18.0%	17.6%	$ 919	$1,643
Occupation Costs				
Rent	5.6%	5.5%	$ 311	$ 436
Property Taxes	0.5	0.3	25	35
Other Taxes	0.8	0.7	64	77
Property Insurance	0.5	0.5	25	47
Income Before Interest & Depreciation	10.2%	10.6%	$ 430	$1,107
Interest	1.0%	1.0%	$ 59	$ 66
Depreciation	2.1%	2.1%	$ 127	$ 179
Restaurant Profit	7.0%	7.7%	$ 288	$ 718

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 14
Ratio to Total Sales and Amount Per Seat—
By Beverages Served*

	Ratio to Total Sales			Amount Per Seat		
	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages
Sales						
Food	69.4%	94.0%	100.0%	$3,911	$3,845	$7,530
Beverage	30.6	13.0	0.0	1,619	530	0
Total Sales	100.0%	100.0%	100.0%	$5,704	$4,817	$7,530
Cost of Sales						
Food***	36.0%	33.4%	37.6%	$1,508	$1,618	$2,825
Beverage***	24.6	38.0	**	377	135	**
Total Cost of Sales	33.6%	36.5%	37.5%	$1,836	$1,925	$2,825
Total Gross Profit	66.4%	63.5%	62.5%	$3,874	$3,059	$4,738
Other Income	0.5%	18.3%	0.3%	$ 34	$ 837	$ 23
Total Income	67.6%	63.5%	62.6%	$3,899	$3,355	$4,738
Controllable Expenses						
Payroll	29.1%	22.0%	26.0%	$1,651	$1,105	$1,897
Employee Benefits	4.7	3.9	1.0	252	200	88
Direct Operating Expenses	5.9	5.4	3.0	290	252	251
Music & Entertainment	0.5	0.2	N	32	19	1
Advertising & Promotion	1.0	3.5	0.3	68	138	1
Utilities	2.6	3.0	3.1	165	140	248
Administrative & General	2.7	1.2	10.2	156	63	719
Repairs & Maintenance	1.8	1.3	2.1	130	90	186
Total Controllable Expenses	49.7%	45.1%	45.1%	$2,689	$2,180	$3,429
Income Before Occupation Costs	16.3%	24.7%	18.4%	$ 980	$ 923	$1,234
Occupation Costs						
Rent	5.9%	4.9%	5.5%	$ 368	$ 201	$ 401
Property Taxes	0.4	0.4	0.5	30	25	29
Other Taxes	0.5	0.2	4.9	36	8	408
Property Insurance	0.8	0.5	0.3	50	16	24
Income Before Interest & Depreciation	10.4%	18.2%	9.2%	$ 576	$ 727	$ 602
Interest	0.8%	1.4%	0.9%	$ 43	$ 69	$ 81
Depreciation	2.0%	2.3%	2.2%	$ 119	$ 141	$ 186
Restaurant Profit	7.0%	11.3%	6.2%	$ 383	$ 515	$ 417

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
***Ratios based on individual department sales.
N Negligible

Exhibit 15
Ratio to Total Sales and Amount Per Seat—
By Type of Restaurant*

	Ratio to Total Sales				Amount Per Seat			
	Full Menu Table-service	Limited Menu Table-service	Limited Menu No Table-service	All Others	Full Menu Table-service	Limited Menu Table-service	Limited Menu No Table-service	All Others
Sales								
Food	69.2%	84.4%	84.3%	100.0%	$3,873	$3,914	$4,189	$7,280
Beverage	31.0	17.1	18.1	9.7	1,688	820	663	581
Total Sales	100.0%	100.0%	100.0%	100.0%	$5,653	$5,990	$6,730	$7,263
Cost of Sales								
Food**	35.6%	40.0%	30.4%	37.5%	$1,499	$1,645	$1,290	$2,792
Beverage**	24.9	23.2	23.0	26.4	422	205	155	155
Total Cost of Sales	33.4%	38.0%	32.2%	37.5%	$1,821	$2,280	$2,611	$2,756
Total Gross Profit	66.6%	62.0%	67.8%	62.5%	$3,934	$3,711	$3,694	$4,450
Other Income	0.4%	0.3%	4.2%	1.8%	$ 32	$ 14	$ 432	$ 79
Total Income	67.2%	62.0%	67.8%	62.5%	$3,985	$3,711	$4,866	$4,490
Controllable Expenses								
Payroll	28.9%	23.1%	24.3%	26.7%	$1,650	$1,227	$1,444	$1,936
Employee Benefits	4.9	4.1	3.5	1.1	336	234	81	88
Direct Operating Expenses	5.8	4.9	3.0	3.3	281	233	278	266
Music & Entertainment	0.5	0.2	0.3	N	34	9	30	1
Advertising & Promotion	1.1	4.3	2.7	0.1	72	280	192	1
Utilities	2.7	2.3	3.6	3.1	166	138	242	247
Administrative & General	3.0	2.4	6.6	10.2	164	63	377	719
Repairs & Maintenance	1.8	1.5	1.3	2.2	130	82	118	176
Total Controllable Expenses	48.1%	44.5%	44.0%	46.8%	$2,415	$2,452	$2,325	$3,402
Income Before Occupation Costs	17.3%	21.9%	25.1%	16.7%	$1,167	$ 923	$1,516	$1,078
Occupation Costs								
Rent	6.0%	3.0%	7.1%	5.5%	$ 370	$ 178	$ 420	$ 390
Property Taxes	0.4	0.5	0.5	0.3	27	27	42	29
Other Taxes	0.3	0.2	0.3	5.0	21	12	16	411
Property Insurance	1.0	0.5	0.5	0.3	55	24	21	23
Income Before Interest & Depreciation	10.6%	17.6%	15.9%	7.5%	$ 634	$ 783	$ 882	$ 501
Interest	1.0%	1.3%	1.1%	0.4%	$ 55	$ 69	$ 95	$ 32
Depreciation	2.0%	2.4%	1.9%	2.1%	$ 124	$ 150	$ 196	$ 176
Restaurant Profit	7.1%	11.9%	13.9%	5.5%	$ 493	$ 514	$ 595	$ 333

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
***Ratios based on individual department sales.
N negligible.

Explanation of Terms

Median

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. In the case of operating results, this means that half the restaurants had better results than the median and half had poorer results.

Food sales

This category includes revenue derived from the sale of food in the restaurant. Food sales also include the sale of coffee, tea, milk and fruit juices, which usually are served as part of a meal. If no liquor, beer or wine is served, the soft drink sales also would be included in this category.

Beverage sales

This category includes revenue from the sale of wine, spirits, liqueurs, beer, ale and soft drinks. These sales do not include coffee, tea, milk or fruit juices, which normally are served with meals and, therefore, are considered food.

Payroll

This category includes the regular salaries and wages, extra wages, overtime, vacation pay and any commission or bonus payments made to employees. The entire restaurant payroll generally is included in this category.

Direct operating expenses

This category includes expenses directly involved in providing service to the customer. Such things as uniforms, laundry, linen, china and supplies are examples of direct operating expenses.

Advertising and sales promotion

This category includes all costs incurred in the maintenance, creation or promotion of sales in the restaurant.

Administrative and general expenses

This group of expenses is commonly considered "overhead," and includes items that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. Examples include office supplies, telephone costs, general insurance and professional fees.

Occupation costs

These expenses, together with depreciation charges, are the cost of readying the premises for operations. These are sometimes called "fixed charges" since they usually are determined by the financial setup of the restaurant and not by the trend of its business. Rent, taxes, property insurance and interest are occupation costs.

Analyze Your Restaurant

A periodic analysis of your restaurant's financial performance may provide some early warning signs of potential problems. Food costs or payroll may be inching up month by month. Some controllable expenses might be increasing while others are decreasing.

Day-to-day changes in your costs could appear small and might go unnoticed. However, examination on a regular basis could uncover undesirable trends and allow you to take corrective action and control situations that could lead to a crisis. That is the key to effective management.

The worksheet on Page 23 is designed to help you analyze how well your restaurant is doing in comparison with the rest of the industry.

Follow these simple instructions for completing the worksheet:

1. Enter your financial data in the first column.
2. Compute the percentages for Column Two by dividing the amounts by total sales. (Note: Where food and beverage sales are broken down separately, compute percentage of food cost by dividing cost of food by food sales; for the beverage cost percentage, divide the cost of beverages by beverage sales.)
3. List the appropriate comparative percentages or ratios from this report in Column Three.
4. Compute the variances by dividing the difference between the figures in Column Two and Column Three by the figures in Column Three. Multiply the result by 100 to express the variance as a percentage.
5. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Complete and Compare Statement of Income and Expenses	Your Figures (Dollars)	Your Figures (% of Sales)	*California Restaurant Industry* Report	Variance + or -
Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Sales	$	%	%	
Cost of Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Cost of Sales	$	%	%	
Total Gross Profit	$	%	%	
Other Income	$	%	%	
Total Income	$	%	%	
Controllable Expenses				
Payroll	$	%	%	
Employee Benefits	$	%	%	
Direct Operating Expenses	$	%	%	
Music & Entertainment	$	%	%	
Advertising & Promotion	$	%	%	
Utilities	$	%	%	
Administrative & General	$	%	%	
Repairs & Maintenance	$	%	%	
Total Controllable Expenses	$	%	%	
Income Before Occupation Costs	$	%	%	
Total Occupation Costs	$	%	%	
Income Before Interest & Depreciation	$	%	%	
Interest	$	%	%	
Depreciation	$	%	%	
Restaurant Profit	$	%	%	

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